

**Statement of Intent (“SOI”) for Far North Holdings Ltd (“FNH”)
For the 3 years ending 30 June 2014**

Objective

As the Far North District Council’s (FNDC) commercial vehicle, FNH will facilitate and create commercial and infrastructural assets in the Far North District with the aim of maximising profits for its Shareholder.

Distribution policy

The Shareholder may require FNH to pay a dividend of 50% of its after tax operating profit each year within thirty days of FNH’s AGM, however, FNH may from time to time present commercial proposals to the Shareholder for an alternative use of the Shareholder’s share of after tax operating profit for its consideration.

Nature and scope of activity

FNH currently owns and operates commercial and infrastructural assets in the maritime, aviation and property sectors.

FNH may elect to investigate and invest in any other commercial opportunities that may arise including any proposed by its Shareholder.

FNH may divest any of the assets held.

Governance

To ensure the implementation of good governance within FNH and within the Shareholder, both parties agree to maintain a high level of communication between each other.

To protect the confidential nature of some information, from time to time FNH may request that some communication occur “in committee”.

Directors’ behavior is to comply with Institute of Directors’ standards for Code of Conduct.

The Board will adopt the following approach to its fiduciary responsibilities to ensure good governance:

- it will prepare a Statement of Intent (“SoI”) setting out its strategic goals and obtain the Shareholder’s agreement to this statement;
- it will define its organisation structure and individual accountabilities by preparing clear job descriptions;
- it will set corporate budgets for earnings and cash flow and individual performance targets, delegate both responsibility and authority to its employees, and hold regular meetings to monitor progress towards these goals and prepare reports to its shareholder and to ratepayers as required and in accordance with current business plan.

Consolidated Shareholders' Funds and Total Assets

Following the declaration of a special dividend the consolidated shareholder's funds are estimated to be \$32.7 million at 30 June 2011, whilst total assets are estimated to be \$48.8million. The ratio of FNH's consolidated shareholder's funds to total assets is currently 67%.

Consolidated shareholder's funds are estimated to be \$33.0 million at 30 June 2012, whilst total assets are estimated to be \$49.0 million. The ratio of FNH's consolidated shareholder's funds to total assets is estimated to be 67%

Accounting Policies

FNH's current accounting policies are set out in the notes to its annual financial statements at 30 June 2010. There is no material change in accounting policies envisaged over the period covered by this SOI.

Performance Targets

To operate the Company without further equity injection from the Shareholder.

FNH's operating profit is expected to be \$505,000 per annum during the 12 month period commencing 1st July 2011.

Reporting to Shareholders

FNH will provide quarterly reports to its Shareholder in November, February, May and an annual report in August. FNH will provide details of its forecasts of earnings, cash flow and balance sheet structure, if requested by its shareholder.

The Board believe that regular communication with the Shareholder is essential to the good governance of the business and therefore FNH will, in addition, seek to meet informally with FNDC as required by either FNH or its shareholder, to deal with any other matter of mutual interest.

Transactions with Far North District Council

In transactions with FNDC for the provision of goods and/or services, FNH will seek trading terms and conditions applicable to external customers.

Acquisition of Shares

If FNH wishes to acquire shares in another company or organisation, it will advise its shareholder at least 30 days in advance.

Estimated Value of Shareholder's Investment in FNH

The estimated value of the Shareholder's investment in FNH at 30 June 2011 is \$33.0million. Assuming that 50% of operating profits are paid in dividend, the investment is expected to increase by \$0.25 million per annum in the coming year; being the forecast operating profit after dividend with no revaluation increments or decrements on fixed assets.